

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5864-01
Bill No.: HB 1948
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: March 10, 2014

Bill Summary: This proposal would gradually reduce the state sales tax by one half percent over a period subject to revenue growth triggers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 or (\$63,167,469)	\$0 or (\$63,167,469 to \$126,334,938)	\$0 or (\$63,167,469 to \$189,502,407)
Total Estimated Net Effect on General Revenue Fund *	\$0 or (\$63,167,469)	\$0 or (\$63,167,469 to \$126,334,938)	\$0 or (\$63,167,469 to \$189,502,407)

* Fully implemented impact in the fifth step would be \$315,837,345.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization.

Officials from the **Office of Administration - Division of Budget and Planning** assume this proposal would have statewide impact and would impact the calculation required under Article X, Section 18(e) of the Missouri Constitution.

BAP officials noted this proposal would reduce the sales tax rate by 0.1% each time the "total amount of net revenue collected by the state" increased in each of the last three fiscal years. The sales tax rate could not be reduced by more than 0.5%.

BAP officials also note that at the 3%-rate, Just under \$1.9 billion was collected in sales tax in FY 2013, so each 0.1%-reduction could reduce General and Total State Revenues by \$63 million.

Officials from the **Department of Revenue** did not respond to our request for information.

Oversight assumes there would be no fiscal impact to the Department of Revenue.

ASSUMPTION (continued)

Oversight assumption

Oversight notes this proposal would, for all fiscal years beginning on or after July 1, 2015, require the Director of the Department of Revenue to reduce the general sales tax rate by one-tenth of one percent if the total amount of net revenue collected by the state has increased in each of the three previous fiscal years. No more than one reduction could be made in a fiscal year and no more than five reductions could be made in total.

Oversight assumes the first rate reduction required by this proposal could be made as of July 1, 2015 based on net revenue collected for the year ended June 30, 2014. Oversight also notes the revenue increase requirement has been met for the past three years but is unable to determine if that requirement would be met for the year ending June 30, 2014. Accordingly, revenue reductions will be calculated for FY 2015, FY 2016, and FY 2017 and shown as \$0 or the indicated amount for those three fiscal years. The impact for FY 2016 and FY 2017 will be indicated as a range from the amount calculated for FY 2015 to the amount calculated for FY 2016 and FY 2017, respectively.

Oversight notes the General Revenue Fund received \$1,895,024,076 in sales tax revenues for the year ended June 30, 2013 according to Department of Revenue reports. Oversight assumes this amount would indicate a revenue reduction as follows if this proposal is implemented.

Net collections at 3 percent were \$1,895,024,076 and $(\$1,895,024,076 / 3 = \$631,674,692$ for one percent and further, $(\$631,674,692 / 10) = \$63,167,469$ for one tenth percent. Calculated revenue reductions would be as follows.

One tenth	\$63,167,469
Two tenths	\$126,334,938
Three tenths	\$189,502,407
Four tenths	\$252,669,876
Five tenths	\$315,837,345

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Revenue reduction - DOR</u>		\$0 or	\$0 or
Sales tax rate reduction	\$0 or	(\$63,167,469 to	(\$63,167,469 to
Section 144.020 *	<u>(\$63,167,469)</u>	<u>\$126,334,938)</u>	<u>\$189,502,407)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *	\$0 or <u>(\$63,167,469)</u>	\$0 or <u>(\$63,167,469 to \$126,334,938)</u>	\$0 or <u>(\$63,167,469 to \$189,502,407)</u>

* Fully implemented impact in the fifth step would be \$315,837,345.

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which make purchases that are subject to the general sales tax.

FISCAL DESCRIPTION

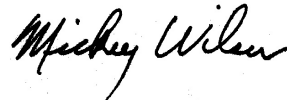
The proposed legislation would, for all fiscal years beginning on or after July 1, 2015, require the Director of the Department of Revenue to reduce the general sales tax rate by one-tenth of one percent if the total amount of net revenue collected by the state has increased in each of the three previous fiscal years. No more than one reduction could occur in a fiscal year and no more than five reductions may occur.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning

Not responding:
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 10, 2014

Ross Strobe
Assistant Director
March 10, 2014